

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 SP-03 AID-20 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 TAR-02 DRC-01 /145 W

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R 121657Z APR 74

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 8303

UNCLAS SECTION 01 OF 02 PARIS 09042

E.O. 11652: N/A

TAGS: EFIN, FR

SUBJECT: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF: A. STATE 053993; B. PARIS A-204, MARCH 20, 1973

1. BELOW IS STATEMENT ON CLIMATE FOR AMERICAN INVESTMENT IN FRANCE REQUESTED REF. A. ALTHOUGH THERE HAVE BEEN NO MAJOR CHANGES SINCE LAST YEAR (REF. A, PARA. 6), THE STATEMENT HAS BEEN REVISED TO TAKE INTO ACCOUNT SOME ASPECTS INCLUDED IN REF. A, PARA. 4, NOT PREVIOUSLY REQUESTED. OUTCOME OF PRESIDENTIAL ELECTIONS NEXT MONTH COULD ALTER FUTURE COURSE OF THE FRENCH ECONOMY IN GENERAL AND THE CLIMATE FOR DIRECT INVESTMENT IN PARTICULAR.

2. AS NOTED IN REFERENCE B, THERE ARE NO RELIABLE STATISTICS ON THE STOCK OF FOREIGN INVESTMENT IN FRANCE, SO WE ARE UNABLE TO PROVIDE THE QUANTITATIVE INFORMATION REQUESTED. ON THE BASIS OF 1972 BALANCE OF PAYMENTS FIGURES AVAILABLE, THERE APPEARS TO BE NO CHANGE IN ORDER OF IMPORTANCE GIVEN LAST YEAR, THAT IS: UNITED STATES, SWITZERLAND, WEST GERMANY.

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3. BEGIN TEXT:

FRANCE

THE MORE RECEPTIVE ATTITUDE WHICH HAS CHARACTERIZED FRENCH POLICY TOWARDS FOREIGN INVESTMENT IN THE 1970'S CONTINUES. THE MULTINATIONAL CORPORATION, ONCE SEEN AS A MENACE TO NATIONAL SOVEREIGNTY, WAS RECENTLY CHARACTERIZED BY THE MINISTER OF INDUSTRIAL DEVELOPMENT AS AN INEVITABLE STEP FOR THE GROWING ENTERPRISE, AND A "NETWORK OF INTERDEPENDENCE" THROUGH FOREIGN INVESTMENT IN BOTH DIRECTIONS WAS WELCOMED.

FOREIGN INVESTMENT IN FRANCE IS SUBJECT TO GOVERNMENT APPROVAL ON A CASE BY CASE BASIS. THE OVERWHELMING MAJORITY OF APPLICATIONS ARE APPROVED WITHOUT UNDUE DELAY. THE GOVERNMENT IS PARTICULARLY RECEPTIVE TO INVESTORS WHO BRING NEW TECHNOLOGY OR FINANCING CAPACITY, CREATE EXPORT POSSIBILITIES, OR CREATE JOBS, PARTICULARLY IN LESS FAVORED AREAS. ON THE OTHER HAND, FOREIGN INVESTMENT IS RESTRICTED FROM THE NATIONALIZED SECTORS - SUCH AS BROADCASTING AND GAS AND ELECTRICITY, AND STRICTLY CONTROLLED IN SUCH SENSITIVE SECTORS AS PHARMACEUTICALS, TRANSPORTATION AND DEFENSE EQUIPMENT. FURTHERMORE, THE FRENCH GOVERNMENT CONTINUES TO HOLD THE VIEW THAT FOREIGN CONTROLLED FIRMS SHOULD NOT GAIN WHAT IT CONSIDERS TO BE A "DOMINANT" POSITION IN ANY GIVEN INDUSTRY. IN RECENT YEARS, THESE SENSITIVITIES HAVE BEEN NOTED RELATIVE TO ELECTRONICS, PERFUME, FOOD PROCESSING AND PAPER.

LEGALLY, THERE IS NO DISCRIMINATION BETWEEN FOREIGN AND LOCALLY OWNED ENTERPRISES ESTABLISHED IN FRANCE. FRANCE HAS A VERY ARTICULATED INDUSTRIAL POLICY, AND A WIDE ARSENAL OF MEANS TO CARRY IT OUT. THESE INCLUDE FINANCIAL INCENTIVES, GOVERNMENT PROCUREMENT AND ASSISTANCE IN RESEARCH AND DEVELOPMENT. ALTHOUGH 4/5THS OF STATE AID GOES TO NATIONALIZED ENTERPRISES, IT IS PROBABLE THAT SOME EMPHASIS

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IS GIVEN IN THE USE OF THE REMAINING 20 PERCENT TO STRENGTHENING "NATIONALLY OWNED" FIRMS OR TO PROMOTING MERGERS AMONG THEM OR WITH EUROPEAN ENTERPRISES.

NO SPECIAL TARIFF PREFERENCES ARE GRANTED NEW INDUSTRIES IN FRANCE. THE FRENCH GOVERNMENT DOES, HOWEVER, HAVE AN EXTENSIVE REGIONAL DEVELOPMENT

PROGRAM TO ENCOURAGE COMPANIES, WHETHER FOREIGN-OWNED
OR NOT, WHICH ESTABLISH INDUSTRIAL OR SERVICE FACILI-
TIES IN DESIGNATED AREAS, CHIEFLY IN THE WEST AND
SOUTH-WEST OF FRANCE AND IN NORTHERN AND NORTH-EASTERN

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FM AMEMBASSY PARIS

TO SECSTATE WASHDC 8304

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BORDER REGIONS. INCENTIVES INCLUDE LOANS, DIRECT
SUBSIDIES AND TAX RELIEF PLUS SUBSIDIES FOR EMPLOYEE
RELOCATION, TRAINING, HOUSING AND THE PURCHASE OF
LAND AND BUILDINGS. THESE AIDS ARE A WELL ADVERTISED
AND RELATIVELY ACCESSIBLE INCENTIVE TO INVESTMENT IN
THE AREAS BENEFITTED AND, THROUGH THEM, IN FRANCE
IN GENERAL.

THE FRENCH ECONOMY IS SUBJECT TO A GREATER
DIVERSITY OF GOVERNMENT REGULATION THAN THAT OF THE
UNITED STATES. CREDIT RESTRICTIONS ARE AT PRESENT
THE MAJOR TOOL OF THE GOVERNMENT ANTI-INFLATIONARY
POLICY, AND PRICE-CONTROL MEASURES, A TRADITION IN
FRANCE, HAVE RECENTLY BEEN STRENGTHENED. THERE ARE
NO WAGE-CONTROLS AS SUCH. IN 1974 THE FRENCH ECONOMY
IS EXPECTED TO HAVE A GROWTH RATE OF ABOUT FOUR PER-

CENT, WITH INFLATION AT MORE THAN 10 PERCENT. UNEMPLOYMENT DOES NOT CONSTITUTE A MAJOR PROBLEM IN FRANCE. THE GOVERNMENT CONTINUES TO PLACE THE HIGHEST PRIORITY ON FULL EMPLOYMENT AND LABOR PEACE, EVEN AT THE EXPENSE OF INCREASED INFLATION.

END TEXT.

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